Project 20400:
§ 271 Compliance Monitoring of SBC

Final Report, HP Audit of SBC re PM 13 & LMOS
Amended Staff Recommendations on Issues Raised by SBC and CLECs

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1. HP Audit Process	**Birch:** Birch has concerns about the "independence" of this audit, based on HP's own characterization of its dealings with SBC at crucial junctures throughout the process. Most notable are how the revisions to the Interim Report came about as a result of SBC demanding that it review the Interim Report prior to it being released to the all audit participants. Even a cursory review of the original Interim Report and the Final Report reveal SBC's apparent influence on the conclusions reached therein. And it was only after suspicions surfaced in connection with the Interim Report that the audit participants learned of SBC's newly formed business relationship with HP in SBC's Ameritech region. It is suspicious indeed to note this progression of events from August through October 2002. Based on the specific concerns with the audit and Birch's overall comfort level with HP's "independence" in this audit, Birch can only conclude that more work needs to be done. **AT&T:** AT&T has serious concerns regarding the independence with which the audit was conducted. For	In general, SBC concurs in the findings reached in the Final Report and believes the results to be very positive. SBC believes that this audit work adequately supports HP's conclusions and confirms the accuracy of the performance measurements. As the Commission is aware, SBC fully cooperated with HP and Commission Staff during the audit process in providing all information and data requested by HP. Based on HP's findings and conclusions, SBC now believes that the Commission's concerns relating to PM 13 and LMOS have been fully addressed. Consequently, SBC does not believe any additional audit work is necessary beyond the verification of SBC's information concerning the sample of EDI orders gathered during the independent verification process.	Staff finds that, with a few significant exceptions, HP performed the audit substantially in accord with the Audit Plan and the contract, despite a number of challenges, including but not limited to: • occasional obsolete, inaccurate, incomplete, and missing SBC system documentation, • occasional SBC delays in responding to HP information requests, • continuous SBC resistance to independent verification, • relative inflexibility of SBC legacy system architecture • relative lack of CLEC participation. • inaccurate time estimates by HP for completing audit work Foremost among the complicating factors was the independent verification,

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	the future, they raise fair concerns regarding the utility of this type of audit to address serious issues regarding compliance with performance measurement business rules. For now, they call for the Commission to look behind the language of HP's summary conclusions (which, especially with respect to the PM 13 audit, excluding the independent verification test, remain consistent with the watered-down conclusions of the Interim Report), and to consider the implications of the data collected and the analyses presented by HP.		which, as originally proposed, raised some security and proprietary information issues, and as modified the "Independent Review" process was the best possible alternative achievable by HP in the time given and under the constraints imposed by the parties. Notwithstanding the foregoing, Staff finds that there are some inconsistencies in the findings outlined in the Final Report, and recommends that the Final Report be modified based on additional work and/or as noted in this document. SBC should be required once again to restate its PM 13 data from January 2000 to the present (per Audit Plan § II(A)(2)) to include at least the PIC change and hunt group order types identified in H.P.'s Figure 4.2 and to recalculate remedy payments for the restated data,

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			following the requirements of Order No. 33. Staff shall verify the corrections to the reported data in consultation with the parties. The remedy calculations shall be made by SBC and verified by the parties for Commission review and approval. Staff recommends that the Commission reconsider the issue of removing the measurement cap for Tier-1 or modifying the payment plan based on the restated data and other factors as deemed necessary.
2. Independent Verification of PM 13 and 13.1 Flow-Through. **Objective – To determine whether SBC accurately captures the correct subset of LSRs submitted via EDI for inclusion in the calculation of PM 13**	**AT&T:** HP found that SBC omitted approximately 10% of the relevant CLEC LSRs from PM 13 data during the period covered by the independent verification test. In light of SBC's counter claim that only 6.5% of LSRs were left out, it remains that the failure to capture 6.5% to 10% of relevant CLEC transactions must be regarded as disturbing and warrants further action. Remedy issues aside, the gap in SBC's PM 13 data calls for follow-up testing of PM 13 data, as	**SBC:** These findings are unfounded and fundamentally flawed. Furthermore, they directly conflict with HP's assessment in the section of the Final Report addressing the PM 13 Test Plan. In these findings, HP jumps to the incorrect conclusion that data was inappropriately excluded because it was not provided in raw data files. In Objective 6 of the PM 13 Test Plan, however,	The "Independent Verification" is a required activity under Audit Contract § IV(A)(7). Staff finds that the verification process is incomplete. Staff also notes that SBC's insistence that such verification is not necessary has already resulted in significant delay. Staff also notes that the failure to capture anywhere from 6.5% to 10% or more of relevant

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and PM 13.1 flow-through rates. **HP Findings Summary** 1. HP can not validate that SBC provided all of the information requested by HP in the context of the Independent Verification test plan 2. For the period and CLECs under study, approximately 10% of orders received by SBC for the State of Texas were omitted from SBC's PM13 calculations and 9% were missing from PM13.1 calculations. In the time available for this analysis, HP was able to determine that many of the orders were improperly omitted as a result of errors in data handling processes that occur in areas not	well as testing of representative measurements in each of the other major categories covered by the measures (e.g., provisioning, maintenance, pre-order, billing), in order to determine the completeness of the data being captured by SBC and to correct corresponding omissions. HP substantially modified its approach to this test, and, instead of reviewing EDI transactions in real time without any involvement by SBC, HP was provided with inbound and outbound EDI transaction records for the month of October 2002, pulled by SBC from the files where this data is stored on a SBC mainframe. By placing SBC in the position of retrieving the data that would be examined by HP, it substantially compromised the initial concept of independent data capture by the auditor. Accordingly, it became important for HP to "verify that the EDI data it received from SBC was the same data it would have collected under its original proposal." F.R. 6. Of the three steps taken by HP to make this verification, only the third – requesting EDI transaction information from participating CLECs	HP found that it "did not find any additional errors or departures from the PM 13 business rules in SBC's current collection, calculation, and reporting of PM 13 data that were not previously addressed in the PUCT Audit Plan". HP's attempt to perform the independent verification audit has been problematic from the start. Ultimately, the absence of a finalized, workable independent verification test plan approved by the Commission undermined HP's ability to properly perform its independent verification audit activities and tainted its findings relating to those activities. From the outset, SBC has opposed the inclusion of an independent verification audit. SBC expressed concern about the fact that the objective of the verification process was never clearly stated. Furthermore, SBC raised technical concerns with regard to HP's proposed architecture for the independent	CLEC transactions is disturbing and warrants further investigation, irrespective of the impact the improperly excluded transactions might have on SBC's performance. Staff further recommends that SBC be ordered to pay the costs associated with finishing the independent verification process as required to determine the flow through information for the transactions missed during the review. In regard to the apparent causes as identified by HP resulting from its independent verification process, Staff also recommends that, pursuant to Audit Plan § I(C)(4), SBC should be ordered to undertake remedial actions to correct the following problems identified in the Final Report: 1) Inadequate Internal controls over CLEC service

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currently addressed in the PM13 and PM13.1 business rules. The scheduled completion date for this report did not allow a full analysis of the impact of these data issues on metrics reported to the PUCT. However, the problems identified may be attributable to internal control and quality assurance weaknesses. 3. In addition to the data inconsistencies described above, HP found that SBC had significant difficulty in providing HP with accurate responses to information requests, and that many key information request responses involved delay and required significant additional follow-up by HP to determine the true nature	for select days – was not dependent on SBC itself supplying the information HP would use. The first two steps – review of SBC code and observation of the process used by SBC to create the CD-ROMs – not only involved an element of reliance on SBC, but also took place on October 31, 2002, after SBC had collected and transferred to HP most of the data that was used for this test. For the critical third step, HP compared records received from AT&T and WorldCom for selected October dates to the EDI data provided by SBC. HP states that, "[w]hen discrepancies were noted, HP issued information requests to get further information." F.R. 7. HP offers no further explanation of this statement. The nature and quantity of discrepancies is not identified. HP does not cite or specify the "information requests" that it alludes to here. Without an adequate explanation regarding these discrepancies, the Final Report provides no basis for the conclusion expressed by HP that the data used for this test was equivalent to what would	verification of PM 13 and PM 13.1 flow-through from the beginning. Despite SBC's concerns with the independent verification process, SBC continued to cooperate with HP in developing an alternative proposal and to implement that portion of the audit. Over the course of the audit SBC met with HP, as well as Commission Staff, to address its concerns in an attempt to settle upon a workable test plan for independent verification. HP proposed several draft test plans and finally in October 2002, the independent verification audit was conducted. To compound the substantive concerns with respect to HP's proposed independent verification test plan, the time constraints in which HP performed its independent verification activities and analyzed the data collected adversely impacted the Final Report, to SBC's disadvantage. Given the compressed two-	quality data; 2) Inadequate quality testing surrounding metrics-impacting system changes; and 3) Inadequate SBC resources. F.R. p 7-8. Staff finds unpersuasive SBC's claims that it has already resolved these issues without further verification.

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of SBC's data. HP believes that the problems identified during this audit can be attributed to Inadequate internal controls over CLEC service quality data and inadequate quality testing surrounding metrics-impacting system changes. (F.R. p. 7)	have been collected under the independent verification test plan as it was initially proposed. The conclusion of HP's independent verification should not be missed: SBC's data failed this audit objective. HP did not, and could not, validate that "SBC accurately captures the correct subset of LSRs via EDI for inclusion in the calculation of PM 13 and PM 13.1 flow-through rates." F.R. 7. On the contrary, HP's independent verification test showed that, for the data under examination (October 2002), SBC's reported PM 13 data omitted 10% of relevant EDI orders, and its reported PM 13.1 data omitted 9% of relevant EDI orders. HP further found that many of these omissions resulted from errors in processes not currently addressed by the PM business rules. HP also cited "significant difficulty" on SBC's part in providing accurate or timely responses to HP's information requests in this area, which it attributed to "inadequate internal controls over CLEC service quality data and inadequate quality testing surrounding metrics-impacting system	month time frame in which HP undertook this portion of the audit, HP was unable to perform due diligence with respect to determining the reasons underlying its independent verification findings and the impact of those findings on the performance measurement in question. Consequently, in lieu of the performance of such due diligence, the Final Report reflects that HP merely assumes the reasons for these findings and then improperly draws the overarching conclusion that "… of the EDI orders SBC received during the period of review, approximately 10 percent were improperly omitted from SBC's PM 13 calculations and 9 percent were omitted from the PM 13.1 calculations." SBC vehemently objects to this conclusion, which is based only on assumptions, predicated on limited data available to HP at the tail-end of its audit, rather than upon all of the pertinent	

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	changes **Birch:** The Commission should resolve the issue surrounding the Independent Verification portion of the audit by possibly including an investigation into other measurements.	facts. No doubt, this grave shortcoming in the Final Report is largely due to HP's inability to perform the follow-up audit work necessary to reach a reasonable conclusion prior to the deadline for the Final Report. While SBC acknowledges that certain sampled EDI orders might have been improperly omitted from the PMs, its analysis shows that the number of such orders and the effect on the final PM 13 results is de minimus, contrary to the exaggerated claims in the Final Report. In the vast majority of cases, the relevant EDI orders did actually flow-through and were inadvertently excluded from the PMs. SBC analyzes that the end result would have improved, since both the numerator and denominator would have been understated. SBC expects that when HP has had sufficient time to review SBC's EDI order sample analysis HP will make the necessary changes to the Final Report.	

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		As evidenced by SBC's analysis of the 44,878 PONs (purchase order numbers) addressed by HP, 32,873 or 73.25% of those LSRs were properly excluded from PM 13, while 1,467 or 3.27% were actually included in the official PM 13 performance measurement reports. The remaining 10,538 LSRs were improperly excluded, which equates to 6.4% of the 165,799 LSRs that were found in the EDI data, rather than the 10% that HP claims were improperly excluded. Of those 10,538 LSRs, SBC found that 10,359 or 98.3% actually flowed through. Therefore, the performance reported by SBC was, in effect, actually understated, with the actual performance being higher than the 95.5% reported for October 2002. HP's reference to "data handling processes and systems" is vague and lacks any explanatory detail. Consequently, SBC does not understand the import of HP's assumption. HP's findings concerning internal controls and	

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		quality testing are factually unsupported. Tellingly, they are not based on any examination of SBC's internal controls or quality testing procedures, but rather upon conjecture. HP's assumption as to its belief that communication problems were due to inadequate internal controls and quality testing is unsubstantiated by any facts presented in the Final Report.	
3. PM 13 – Accuracy of Current Reporting **Objective No. 1 – To determine whether PM 13 captures all CLEC order types (e.g., restoration of service, PIC change, etc.) for which the equivalent retail order type flows through EASE for SBC retail service.** **HP Findings** 1. Of the 43 combinations of Class of	**Birch**: For the purpose of reviewing the retail implementation of the flow through measure (PM 13, Test Plan 1), HP used a random sample of 400 retail EASE orders from May 2002 to determine what products and services flow through EASE for SBC retail (see HP Final Audit Report "Final Report" Figure 3.1, page 28). This small sample was used to validate the proper inclusion of all retail orders to be measured despite the fact that SBC places hundred of thousands of orders each month and has documented Methods and Procedures (or other documentation) for every retail product type which would indicate how to order the specified products (including which systems are	The SBC response to the request for information, which was utilized by HP to verify this component of the audit, was a random sample of 400 retail DSS order transactions. HP provided SBC with a random selection of retail order transactions. SBC subsequently provided class of service information to assist HP in classifying order types. Due to the random nature of the data sample, it is logical that all service types may not be represented in the audit results. However, in its reply comments SBC stated the following; Birch decries HP's use of a	This objective is intended to comply with the Commission approved Audit Plan § II(A)(1)(a). HP's use of a random sample of 400 SBC retail transaction did not capture all types of orders. Although the alternative of obtaining a stratified random sample of all different types of orders would have achieved better results, Staff believes that the sampling process is not faulty. Staff concurs with AT&T that, while the Final Report avoids any direct conclusion here, other portions of the

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Service and order type identified in the retail sample, HP verified 41 of the combinations are designed to flow through for wholesale orders. HP was not able to verify two of the combinations as no instances of those combinations were found in the wholesale data for the time period analysed. 2. HP found the means by which SBC designates orders for inclusion or exclusion from the PM13 measure to be effective. HP also found SBC's Project in Process (PIP) documentation sufficiently supports the changes SBC implemented as a result of Order 33. (F.R. p. 27)	necessary to place the order). Even with the use of the small sample, HP only uses two characteristics (class of service and order type) of each order to reach a conclusion about the retail implementation of the flow through parity comparison (see Final Report at pages 14-15). The result is a very "high level" examination of retail flow through that provides little assurance that the retail flow through rate is being properly measured. **AT&T:** The information presented in this portion of the report confirms that SBC still fails to include in PM 13 data for CLECs certain transactions, despite the fact that the equivalent retail order type flows through SBC's EASE system. This includes the important category of CLEC orders for PIC changes. This portion of the report also raises a strong inference that the SBC retail data used as the basis for the parity comparison for PM 13 and 13.1 does not provide a fair comparison and that the way in which SBC has reported that retail data to date has favored SBC by setting an inappropriately low standard. While the Final Report avoids any direct	sample of 400 SBC retail EASE orders. SBC's only comment with regard to this issue is that the selection of sample sizes was based upon HP's professional judgment using generally accepted statistical sampling techniques. Since the results do not confirm the CLECs' misguided positions regarding SBC's PM process, Birch asserts the auditor must have used a faulty test. There is absolutely no basis in reality for this allegation.	report make it clear that SBC failed this objective. Under PM 13 Test Plan Two (*see* Issue 4, Objective 1 *infra*), the report states that "HP found 13 [CLEC] order types that SBC does not include in PM 13. Some of these 13 order types flow through EASE retail, while some do not." (F.R. p. 51) Staff also concurs with Birch's reply comments that the exclusion of "PIC Change" and "Hunt Group" orders as ineligible for flow-through comparison is problematic. Accordingly, Staff recommends modifying the stated flow-through rates in the Final Report to reflect the PIC change and Hunt group orders in the denominator. Further, the Final Report provides little or no explanation for its finding that "the means by which SBC designates orders for inclusion

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	conclusion here, other portions of the report make clear that SBC failed this objective. Under PM 13 Test Plan Two, the report states that "HP found 13 [CLEC] order types that SBC does not include in PM 13. Some of these 13 order types flow through EASE retail, while some do not." F.R. 51. It follows that SBC failed Objective 1 of PM 13 Test Plan One, which called on HP to verify that PM 13 captures all CLEC order types (e.g., restoration of service, PIC change, etc.), for which the equivalent retail order flows through EASE for SBC retail service. Among the CLEC order types that SBC excludes from PM 13, according to HP, are CLEC PIC change orders. F.R. 51, Figure 4.2. SBC's asserted justification is the claim that there is no equivalent "P" activity in EASE, based in turn on the assertion that "Retail principally relies on receipt of CARE tapes from the IXC." However, SBC acknowledged that EASE can process PIC changes at the request of the end user by "C" activity, which does flow through. Indeed, in the "EASE/OSS Platform		or exclusion [is] effective." Given the ambiguity of several statements in the Final Report on this issue, Staff recommends that HP be directed to clarify its finding(s) and its reasoning for its finding(s) on this issue.

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	Flow Through Comparison" that SBC provided in response to an HP Information Request, SBC specifically identified the PIC change scenario as flow-through ineligible for EDI/LEX and flow-through eligible for both Consumer EASE and Business EASE. See Response to Information Request PM 13-0611-027 at line 25. Further, it is AT&T's understanding that CLECs who use EASE for resale are able to send PIC change orders over EASE. Because PIC change orders will flow through SBC's retail EASE system, there is no excuse for SBC to continue to exclude CLEC PIC change orders from PM 13 data. The fact that SBC excludes those orders, as identified by HP, is in direct contravention of the PM 13 business rules. For purposes of examining HP's Final Report, what is important to recognize here is that the audit showed a failure on SBC's part to meet Objective 1 of this first PM 13 test plan, the objective set by the Commission at section II.A.1.a of the Audit Plan. HP found that SBC does not make		

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	EASE updates at the same time that it implements SORD edits. When a SBC retail order falls out due to an error that fails a SORD edit, SBC treats the transaction as a flow-through failure, as discussed further below under Objective 3. Therefore, when SBC adds an edit to SORD but makes no corresponding update to EASE, there is the potential for SBC's retail flow-through rate to fall as EASE representatives submit orders that fail the SORD edit. To the extent that corresponding orders submitted by CLECs over EDI or LEX result in electronic rejects, they will be excluded from PM 13 data, in accordance with the business rules. If orders with the same type of errors are excluded from the measurement for CLECs (because they are electronically rejected) but count as flow-through failures for SBC, the comparison between SBC retail and CLEC order flow-through is skewed, and SBC's retail flow-through rate artificially reduced. The fact that EASE, LEX, EDI, and SORD may be subject to changes and updates at different times, with varying impacts		

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	on the order volumes and flow-through rates reported under PM 13, is one of the findings of the audit that call into question the use of SBC's retail EASE data, as currently calculated, for purposes of the PM 13 parity standard. This concern is addressed again under Objective 3. HP's Wholesale flow through analysis is erroneous in that it excluded LSRs related to PIC change, and Hunt group. **Birch Reply:** SBC's rationale for excluding CLEC PIC change orders despite the fact that retail PIC change orders flow through EASE is again reiterated in SBC's comments at page 17. SBC explains that CLECs, at one time, could change their end-user's PIC code in one of two ways using the Local Service Ordering Requirements ("LSOR") as defined by SBC. A CLEC could use a Change "C" activity type (which would allow other changes in addition to a PIC change) or a PIC Change "P" activity type (which only allows the PIC code to be changed). SBC's LSOR guidelines never indicated that PIC changes		

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	should only be processed with the "C" activity type instead of a "P", so intuitively, Birch usually used the "P" activity type to process PIC change orders. SBC's claim that "there is not precise EASE comparison for the "P" activity" is bogus on its face. The "P" activity is doing nothing more than changing an end-user's PIC code. The fact that this very simple order activity was never designed to flow through for CLEC orders is at the heart of Birch's concerns of SBC's implementation of this measurement. This ordering scenario represents a respectful percentage of Birch's change orders placed for Birch's target customers – small and medium sized businesses. SBC's rationale for excluding these CLEC orders provides nothing more of substance than SBC provided to the auditors. The fact remains that SBC would include these orders in its retail flow through results (because they flow through EASE). SBC's reference to two retail service orders compared to one CLEC LSR is without merit. SBC's wholesale ordering process to		

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	establish a hunt group involves many service orders derived from an LSR just as the retail order requires. PM 13 is measured at the service order level, so any reference to the LSR is misplaced.		
PM13 Accuracy of Reporting **Objective No. 2 – To determine whether PM 13 captures all CLEC order types that are MOG-eligible.** **HP Findings Summary** 1. HP identified the order types accounting for the reported flow-through failures for May 2001. 2. HP found that SBC source code accurately reflected order type inclusions and exclusions as indicated in the System Requirements	**AT&T:** HP's activity under this objective included an analysis of flow-through failures by order type for CLEC EDI orders and CLEC LEX orders. Compare Figures 3.2 and 3.3. (F.R. pp. 31-33.) This comparison raises a question regarding SBC's longstanding position that flow-through rates should not be disaggregated for LEX and EDI, because CLEC LEX and EDI orders both go through the same MOG and LASR edits. According to SBC, the reported differences in flow-through performance for EDI and LEX should be attributed to different order types being sent over the interfaces, rather than any difference in flow-through for EDI and LEX orders of the same type. However, comparison of HP's Figure 3.2 and 3.3 indicates otherwise. For example, change orders (activity "C") involving a UNE-P circuit	LASR is the entry point for electronically submitted LSRs. The LASR system contains a hard-coded business logic that determines if a request is or is not flow-through eligible. This information is then mechanically populated to the table used by the DSS system for measurement calculation. A change request process is followed to make changes to the LASR business logic for flow-through determination. Within this change request process there are multiple testing points to ensure the logic is working as designed. In order for the "upstream" LASR table to be incorrect, the LASR system would have to be improperly functioning. Since this table is based on	This objective is intended to comply with the Commission approved audit plan section II (A)(1)(b). Staff concurs with SBC that, while a revision of the PM 13 business rule to specify order types, as suggested in the final report, might be beneficial, any such revision is outside the scope of the audit and should instead be addressed in the next six-month review of PMs.

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documents covering both pre-POR and post-POR statement periods. HP also found that SBC pre-POR code supports the inclusion of 17 additional order types per Order 33. 3. HP found that SBC DSS tables use "upstream" LASR tables, which indicate whether an order is MOG-eligible. If this indicator is correct, then the code will accurately categorize orders for inclusion/exclusion. However, if the indicator is marked incorrectly, orders will not be appropriately accounted for. 4. Finally, in the evaluation of the PM13 Business Rule specification, HP has determined that the	(request type "M") experienced a 11.6% EDI flow-through failure rate in May 2002, according to HP's examination of SBC's data. Figure 3.2, line 4. That same category of CLEC orders experienced a 25.88% flow-through failure rate over LEX. Figure 3.2, line 5. Other categories show differences in performance, when LEX and EDI results are compared within the same order type. SBC should be called upon to explain these differing results, and to explain how they can be reconciled with SBC's past statements that differences between LEX and EDI flow-through rates are the result of differences in the mix of orders passed by CLECs over those two interfaces.	mechanized population, the risk that the data is incorrect is minimal. While SBC agrees that a revision to the language of the PM 13 business rule, to include what order types are to be included in PM 13 results, might be beneficial, any such revision is entirely outside the scope of the audit and should instead be addressed in the next six-month review. Because MOG-type orders can change prior to a six-month review, if other order types became flow-through eligible outside the review period, there is no process in place to update the business rules to reflect such, outside the six-month review. That is the reason that specificity as to order types is not included here, so as to provide some flexibility as new order types became MOG-eligible.	

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PM13 business rule specified in the Texas T2A Agreement, version 2.0 could be enhanced with further pecification, including a matrix. (F.R. p. 29)			
PM 13 Accuracy of Reporting **Objective No. 3 – To determine whether PM 13 results reported for SBC retail include only those order types that are designed to flow through EASE.** **HP Findings Summary** 1. PM 13 results reported for SBC retail incldue only those order types that are designed to flow through EASE 2. PM 13 business rules do not include an	**AT&T**: While HP found that SBC's PM 13 retail results include only those order types designed to flow through EASE, the information collected under this objective and HP's related findings support the conclusion that, as currently implemented, SBC's retail results are not providing a fair parity comparison and understate the results that SBC actually achieves for those retail transactions that are equivalent to CLEC orders. Retail orders that fall out prior to distribution due to SORD edits. HP found that SBC includes these retail orders as flow-through failures in its PM 13 calculation. (F.R. p. 38.) Indeed, HP further found that "the only reason an order input into EASE would fail to successfully distribute in SORD is due to the impact of certain	The inclusion of specificity in the business rules as to the types of orders that are and are not designed to flow through would result in a duplication in system requirements. Consequently, any maintenance and updating of this information in the business rules is neither reasonable nor necessary. If the business rules define with specificity what does and does not flow through, then any flexibility is lost to include items in the measurement that are designated as flow through prior to the conclusion of a six-month review. Therefore, retaining the general language is preferable.	This Objective is required under Audit Plan § II(A)(1)(c). Staff concurs with CLECs' comments. . The Final Report needs to be corrected to reflect the appropriate calculation for retail flow through rate. Essentially, the report needs to be corrected to show that an incorrectly entered retail order that presently flows through EASE but falls out due to edits in SORD prior to distribution is not a flow through failure, but rather is a reject and thus should not be included in calculating the retail flow through rate. Absent this correction, the

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explanation of the orders that are not designed to flow through to distribution in SORD 3. SBC does not count those orders that flow through EASE, but subsequently fall out for manual handling after distribution in SORD, as flow-through failures in its retail PM 13 calculation. This conforms to the Business Rules. (Words "does not" added pursuant to HP letter in PUCT Docket 20400 (Dec. 11, 2002). 4. The retail measure for PM 13 is consistently lower than the wholesale measure. (F.R. p. 36.) • HP also found that SBC includes orders that flow through EASE, but fall out due to edits in SORD prior	SORD edits that create flow-through failures." (F.R. p. 39.) The impact of these SORD edits on reported retail performance has to be substantial, because HP also found that the retail measure for PM 13 is consistently lower than the wholesale (CLEC) measure. (F. R. p. 36.) That latter fact is apparent from SBC's reported data, in which the SBC retail EASE flow-through rate is consistently reported in the mid-80 percent range, compared to EDI rates reported in the low to mid-90s. (Oddly, resale EASE flow-through tends to be highest of all, in the high 90s). In response to an information request, SBC provided HP 20 examples of the types of SORD edits that result in EASE flow-through failure. (F.R. p. 40.) (So far as the Final Report reveals, this was the only data obtained by HP on this important issue). SBC provided these examples in matrix format in its response to Information Request PM13-517-018. What is striking about these examples is that most of these orders failed SORD edits due to basic order entry errors. For example, seven of the 20		parity test results are distorted. Staff also recommends that HP provide detailed work papers for the 400 transactions included in its sample to all parties so that SBC and the CLECs can jointly file a reconciled flow through rate for the retail transactions. Staff recommends that the issue of delineating the order types in the Business Rule should be considered during the next six-month review of PMs, recognizing that any such modification should preserve the flexibility of adding any order types in between review periods.

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to distribution. (F.R. p. 38.)	examples involve requests for telephone numbers that were not available for assignment. Others involved order formatting errors – state names that were too long, invalid zip codes, misplaced commas. Importantly, all of the foregoing error types, when made by a CLEC representative using EDI or LEX, result in an electronic reject notice, and are excluded from the PM 13 calculation by the business rules. Therein lies a major flaw in the SBC retail data used for the PM 13 parity comparison. The problem may be illustrated simply. Assume that SBC processes 100 service orders for a CLEC using EDI or LEX, 10 of which request a telephone number that is not available for assignment (or contain one of the other order entry errors reflected in SBC's response to PM13-517-0180). LASR will return an electronic reject for each of the 10 orders with errors, and none will be included in PM 13. SBC then would include 90 orders in the denominator of its PM 13 calculation for this CLEC. Assume		

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	that 9 of these error-free orders failed to flow through. SBC would report a 90% flow through rate for this CLEC. Now assume an equal number of SBC retail transactions over EASE, again with 10 order entry errors of the type listed on SBC response to PM 13-517-0180. Assume that the other 90 retail orders flow through. As described by HP, the 10 orders with errors would be counted as flow-through failures. SBC would include 100 orders as the denominator of its retail calculation, 90 orders in the numerator (flow-through successes), resulting in a 90% flow-through rate for SBC retail. Here, SBC would report meeting the "parity" standard (90% flow-through for both CLEC and SBC retail), despite the fact that the CLEC's error-free orders failed to flow through at a much higher rate. This result is possible because errors that count as flow-through failures for SBC retail are excluded from the CLEC calculation altogether. At least that is the implication of the examples of EASE flow-through failures provided by SBC in response to HP's data request.		

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	This issue calls for further examination, whether by HP or Staff, working with interested parties. If SBC retail data is to be used as the basis for the flow-through performance standard, the retail orders must be counted under rules that will exclude any orders containing errors that would result in an electronic reject in orders submitted by CLECs over EDI or LEX. Until it can be verified that SBC has revised its calculation of retail data to exclude such orders, it will be impossible to give an affirmative conclusion to one of the basic objectives of the PM 13 audit – to determine that PM 13 is providing "an appropriate parity comparison between the order processing flow-through that SBC achieves for CLECs and the flow-through it provides to its own retail operations." Audit Plan at 3. Retail results consistently lower than CLEC results. The explanations offered by SBC for the consistently lower flow-through rates reported for its retail operations also raise more questions than they answer.		

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	According to HP, SBC claims that its retail order mix is about 88% POTS, and contains many more complex orders than CLEC wholesale orders, which SBC claims are 98% POTS. F.R. 40. Thus, CLECs' relatively simple orders may flow through at a higher rate, or so says SBC. The data reported by HP call SBC's explanation into question. According to Figure 3.4 (F.R. p. 33), the EASE orders accounting for the largest volume of flow-through failures all involved the 1FW class of service. See Figure 3.4, lines for 1FW (change), 1FW (disconnect), and 1FW (new). According to the class of service codes provided by SBC to HP, these orders all are residential orders, involving flat-rated service for 1 party. See SBC's Response to Information Request PM13-0820-057-3. More importantly, if SBC's retail data does involve a greater mix of complex orders which cause a higher flow-through rate, then by definition that broad set of SBC retail data does not provide a fair basis for comparison to the success with which SBC's systems		

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	process CLEC orders that are almost entirely POTS orders. SBC's explanation for its lower retail flow-through performance amounts to an assertion by SBC that the current PM 13 data compares apples and oranges. This mix masks any genuine comparison of flow-through rates for CLEC POTS orders and SBC POTS orders. Again, the clear implication is that PM 13 data, as currently (and long) reported, does not provide a fair comparison of SBC's performance for its retail orders and its performance for CLEC wholesale orders. **Birch:** A detailed examination of HP's work product and SBC Information Request responses brings into question HP's findings that the SBC retail EASE flow through results are properly reported. Specifically, HP attempted to examine if the PM 13 results for SBC retail include only those order types that are designed to flow through EASE (Audit Plan II.A.1.c). SBC provided HP with Information Request responses that included samples of what is		

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	considered a flow through failure (SORD edits) for 25 retail EASE service orders and the class of service for a sample of 400 EASE flow through failures. A closer look at these samples reveal gaps in HP's conclusion that SBC retail EASE results are accurate. SBC's treatment or determination of flow through failures skews the implementation of PM 13 for retail EASE by artificially lowering the retail flow through result. The retail flow through failures are claimed by SBC to have failed to flow through EASE because of system limitations. The evidence collected by HP indicates that the orders were not validly entered into EASE and were rejected by SORD due to data entry errors (rather than failing to flow through). The specific 25 examples collected by HP in Information Request (IR) Response PM13 0522-018 show that the retail EASE flow through failures (as currently reflected in the PM 13 results) are really data entry errors that were rejected by SORD. These		

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	rejects are handled by SORD exactly the same way in which a CLEC wholesale order would be rejected. The main difference is that the retail orders are counted as flow through failures and the CLEC orders are counted as rejects and not counted in the flow through measurement. The treatment under the PM 13 business rule is very clear: rejected orders are excluded from the PM 13 measure. This exclusion should be applied equally between retail and wholesale ordering processes. The result of SBC's unequal treatment of rejected orders is an artificially low retail EASE flow through rate (because it includes rejected orders) when compared against CLEC flow through rates (which excludes rejected orders). HP did not require SBC to provide volumes of orders affected by HP's finding of non-compliance with the business rules so that HP could restate or allow readers of the Final Report (or even those parties with access to audit papers) to restate the PM 13 results based on HP's finding. Instead		

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	HP bases the remainder of the findings for Test Plan 2 on a premise that HP concluded to be false. For example, in Test Plan 2 Objective 2, HP found "SBC had properly implemented all required changes in the collection and analysis of data, and reporting of PM 13 for the order types it [SBC] determined should be included." Since HP concluded in Objective 1 that SBC did not determine which orders should be included correctly, HP's finding for Objective 2 is nearly worthless. HP uses the same logic in the Findings for Objective 3. The end result is another Audit Plan directive (II.A.2) that goes unanswered/unsatisfied in the Final Report.		
PM 13 Accuracy of Reporting **Objective No. 4 – To determine whether reporting CLEC data for PM 13 in back-end service orders, rather than LSRs, is distorting PM 13 results.**	**AT&T**: HP's discussion under this heading – which was to test whether counting flow-through on the basis of back-end service orders rather than LSRs distorted the results – is confusing. HP correctly states than an LSR can only be counted as a flow-through failure once. F.R. 40. However, HP's statement that, when the measure is calculated in terms of back-end service orders, each flow-through failure counts equally in the	SBC concurs with HP finding for this objective.	This objective is intended to comply with the Audit Plan section II(A)(1)(d). The conclusions drawn in the Final Report on this issue are not adequately supported in the analysis. Staff agrees with AT&T that when the measure is calculated in terms of back-end service orders, in a three-

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HP Findings Summary HP found that SBC's reporting of PM 13 in terms of back-end service orders does not distort the results as compared to reporting the results by LSRs. An LSR can only be counted as a flow-through failure once, regardless of the number of associated service orders that fail to flow through. Conversely, when the measure is calculated in terms of back-end service orders, each flow-through failure counts equally in the measure.	measure, is not correct. F.R 41. For example, a CLEC order (LSR) to convert a SBC retail customer to UNE-P generates 3 back-end service orders. Any or all of those orders might fail to flow through. If 2 of the 3 flow through, then this single LSR will result in a 67% flow-through success rate, calculating PM 13 on the basis of back-end service orders. Yet from the CLEC's standpoint its order failed to flow through and fell out for manual handling – the two "successful" back-end service orders have no practical value (and may even cause problems). On the other hand, this same transaction would count as 0% flow-through on an LSR basis (denominator = 1, numerator = 0). Plainly, counting flow-through on the basis of back-end service orders raises the possibility of quite different results from counting on the basis of LSRs, and HP's comment that each flow-through failure counts "equally" when the measure is calculated in terms of back-end service orders raises a question whether the auditors adequately understood this audit objective. HP's notation that calculating PM 13 on an LSR basis		order process, an assertion that each flow through failure counts equally in the measure is incorrect. Successful flow-through of two out of three back-end service orders generated by the same LSR would be reported as 67% flow through, whereas the same data if reported on an LSR basis would be 0% flow through. Staff recommends that the Commission not adopt the finding in the Final Report for this objective.

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	reduced the flow-through rate only for UNE combinations, F.R. 41, also raises the question whether HP's PM 13 team understood that UNE combinations, which generate 3 back-end service orders under SBC's processes, presented the greatest potential for distorting results by reporting on a service order basis. HP itself found that its restatement (on an LSR basis) of SBC's DSL results contradicted SBC's published (back-end service order) data, and acknowledged that it could not find the cause of the discrepancies. F.R. 42-43. For all these reasons, AT&T submits that the audit failed to validate this objective. HP did find that, for the May 2002 EDI results that it examined, restating the results on an LSR basis reduced the flow-through percentage by 1.6 percentage points. F.R. 42. This is not an insignificant difference. At recent UNE-P volumes, performance differences of 1-2 percentage points affect a large number of customers and can make a difference in the application of the statistical test used under SBC's remedy plan. For example, in		

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	September 2001, the difference between an 88.3% flow-through rate for SBC retail and an 87.2% rate for Texas CLECs using EDI resulted in a parity violation. Thus, a swing in the reported CLEC flow-through rate of 1.6% could be the difference between meeting and missing the parity standard. If reporting PM 13 data on a back-end service order basis has the effect of inflating the reported CLEC flow-through rate by even one or two percentage points, that fact casts some discredit on the current data and calls for consideration of reporting on an LSR basis (as is done for PM 13.1).		
PM13 Accuracy of Reporting **Objective No. 5 – To determine whether flow-through failures in the form of erroneous and improper rejects are being properly captured in the PM 13 data.** **HP Findings Summary**	**AT&T:** AT&T will only note here HP's finding that it could not document how an LSR, if improperly rejected, is correctly reflected in the PM 13 calculation by SBC. F.R. 43. Given that finding, the audit cannot validate that SBC's PM 13 data meets this audit objective, because HP cannot say that flow-through failures in the form of erroneous and improper rejects are being captured in the PM 13 data. Note that the report documents that erroneous rejects do occur – SBC acknowledged that the orders reviewed under this objective	SBC is puzzled by HP's assertion that it does not understand this process, given the amount of time invested by SBC in researching the matter and subsequently providing explanations to HP via RFI PM 13-0821-058. SBC has told the CLECs and HP on many occasions that it does not knowingly reject an order in error. The only means by which SBC knows that there was an LSR rejected in error is through CLEC notification. AT&T has	This objective is intended to comply with Audit Plan § II(A)(1)(e). Staff recommends adopting HP's finding as to the accuracy of reporting. Staff recommends that the concerns raised by HP as to the lack of a process in determining the exclusion of erroneous rejects from the flow through calculations needs to be fleshed-out during the next six-month review. The issue related to whether

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1. HP found that SBC was correctly calculating the PM 13 measure with reagrd to erroneous and improper rejects. 2. ITRAK-FID was not afficed to any of the Birch Telecom examples. The same results were found for all AT&T provided examples. 3. HP could not document how an LSR, if it is flow-through eligible but is improperly rejected, is correctly reflected into the PM 13. (F.R. p. 43)	had been erroneously rejected, including 1101 MOG-eligible orders identified by AT&T. **AT&T Reply:** The ITRAK-FID, as AT&T understands it, effectively provides for a manual override that takes transactions out of performance data. While its application can be legitimate when truly special circumstances lead a CLEC to agree with SBC that a particular set of transactions should be handled on a "project" basis, its existence provides the potential for abuse. Its impact on SBC's discipline in restricting use of the ITRAK FID to situations in which CLECs freely consent to the treatment of transactions on a project basis. Application of ITRAK FID will continue to warrant attention and monitoring.	brought such matters to SBC's attention in the past. In fact, SBC has gone back and manually adjusted the flow-through measurements to reflect non-flow-through since the LSC agreed to work these LSRs without the need for submitting a supplement ("SUPP"). When it realizes that an improper reject has occurred, the CLEC may issue a SUPP to the original LSR with no changes in content. In order for an improper rejection to have occurred, the original LSR was either designed not to flow through or failed flow through. Therefore, a SUPP LSR that does not change the content of the original LSR will experience the same result. It will be counted in the measure exactly the same way that the original would have been counted had it not been rejected. Although the quantity provided was relatively small, the examples provided by Birch for the audit validate this statement. Of the 19 LSRs	an erroneous reject was improperly ITRAKed without a CLEC's consent may have to be determined on a case by case basis upon a complaint from a CLEC. To the extent an ITRAK-FID is applied to an erroneous reject without the CLEC consent, SBC shall be required to include that data as failed flow-through for PM 13. Staff agrees with the independent auditor's finding that SBC did not exclude erroneous rejects that were ITRAKed without CLEC consent. Staff concurs with AT&T that the application of ITRAK FID needs attention and monitoring. Accordingly, Staff recommends that SBC be ordered to provide each CLEC with monthly notification of the quantity of ITRAK-FID usage (incidence and lines affected) for that CLEC. Staff further recommends that

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		reviewed, all but one was resubmitted without change to the content. The 18 that were submitted without change to content experienced the same result as the original. The majority of the 18 fell out to the LSC because they were requests for partial migrations, which are neither designed to flow-through nor EASE comparable. One LSR, however, corrected the content that had precluded it from flowing-through upon original submission. Once the data was corrected, the request flowed through. All of the 19 LSRs were counted in the PM 13 measure according to the business rules. If the CLEC does not elect to issue a SUPP, however, the SBC LSC service representative will issue the appropriate service orders from the original LSR. Under such a scenario, if the LSR meets the flow through or EASE comparable criteria, the orders are included in the PM 13 measurement as a failed flow	SBC be ordered to post on its website monthly the quantity of ITRAK-FID usage (incidence and lines affected) for all CLECs in the previous month. Staff also recommends that SBC be directed to post this information on its website for each of the previous 12 months.

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		through transaction. If the request was not designed to flow-through or to be EASE comparable, it is not included in the denominator. The LSRs provided to HP by AT&T as improper rejects, which were worked by the LSC from the original LSR and not submitted as a SUPP, support this statement. SBC's review of these PONs found that when the order met the designed to flow-through or EASE comparable criteria, the service order issued by the LSC was counted in the denominator but not in the numerator. SBC wants to clarify that in the case of the AT&T improperly rejected requests, SBC acknowledges use of the ITRAK FID on the service orders. The use of the ITRAK FID was a joint agreement between SBC and AT&T. This data was provided to HP in response to RFI PM 13-0821-058. Because it was determined that the	

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		service orders were included in the PM 13	
PM 13 Accuracy of Reporting **Objective No. 6 – To ensure that no other errors or departures from the business rules are apparent in SBC's current collection, calculation, and reporting of PM 13 data**. **HP Findings Summary** HP did not find any additional errors or departures from the PM 13 business rules in SBC's current collection, calculation, and reporting of PM 13 data that were not previously addressed in the PUCT Audit Plan. (F.R. p. 44)	No comments on this specific objective**.**	SBC concurs with HP's finding and has no additional comments related to this item.	Staff recommends adopting HP's finding on this objective.
4. PM 13 – Accuracy	**AT&T:** HP's findings regarding this objective are circular – SBC's retail data provides an appropriate parity	The systems requirements document was originally written at a static point in time, and	This objective is intended to comply with Audit Plan directive II.A.2. Staff agrees

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of SBC Restatement of PM 13 **Objective No. 1 – To determine whether restated CLEC data includes all CLEC orders of the type that will flow-through EASE for SBC retail, and SBC retail data provides an appropriate parity comparison.** **HP Findings Summary** 1. HP found 13 order types that SBC does not include in PM13. Some of these 13 order types flow through EASE retail, while some do not. 2. HP validated that SBC restated data includes most relevant CLEC orders of the type that will flow-through EASE for SBC retail,	comparison to SBC's restated CLEC data "to the extent SBC has correctly determined which order types should be excluded." F.R. 51. HP's review here is limited to the meaningless "validation" that SBC's restated data includes all the relevant CLEC orders "of the types that SBC determined should be included." F.R. 52. Of course, the real implication of HP's findings are that SBC's restated data fail to meet this objective, because SBC has elected to continue to exclude CLEC orders types even though they flow through EASE retail. F.R. 51. As discussed earlier, the prime example here is CLEC PIC change orders, which SBC acknowledges can and do flow through EASE at the request of the end user. Figure 4.2. SBC's reference to the CARE process does not alter the fact that PIC orders will flow through EASE, which, under the PM 13 business rules, requires inclusion of CLEC PIC change orders in the flow-through results. SBC must be required once again to restate its PM 13 data to January 2000 per the Audit Plan (section II.A.2) to include at least the PIC change and hunt group order	reflected the systems environment for a specific month. Documents of this type generally reflect the current operating environment. As the audit progressed, it became necessary to make additions to the document to show changes in the measure over time, with regard to both edits and file layouts covering the January 2000–October 2002 time period. Additional detail requested by the auditors in various sections was also added. Changes associated with the Plan of Record release occurring in May 2002 were extensive enough to require an entirely new version of the document. It is SBC's belief that this documentation accurately represents the systems environment. SBC agrees that there are 13 order types that are not included in the PM 13 calculation. A correction was made to the list of thirteen order types reflecting that "Conversion of Retail Charter TN to UNE-P" is	with CLECs' comments and reply comments. Staff recommends that the restated PM 13 results be modified as explained below and as idendified in Issue 3, Objective 3, *supra*. Staff notes that SBC's LSOR guidelines did not indicate that PIC changes should only be processed with the "C" activity type instead of a "P". Thus the CLECs were given one of two choices to place PIC change orders. Staff finds that SBC's claim that "there is not precise EASE comparison for the "P" activity" should not be the reason for not including the orders in the flow-through calculations. First, SBC's document, LSOR, allowed CLECs to send "P" orders for PIC change. Second, the issue of whether a "P" order activity should flow through for CLEC is entirely at SBC's control. Staff finds that deleting the "P" order from

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and, to the extent SBC has correctly determined which order types should be excluded, the SBC retail data provides an appropriate parity comparison. 3. HP determined that inconsistencies exist within SBC supporting System Requirements documentation and actual system operations. These inconsistencies created additional complexity to and caused delays in HP's analysis. (F.R. p. 51)	types identified in H.P.'s Figure 4.2 and to recalculate remedy payments for the restated data, following the requirements of Order No. 33. **Birch**: In contrast to the retail flow through implementation which was done from a high level , SBC uses a very detailed approach to determine which wholesale orders are included or excluded from the PM 13 results (see Figure 4.1, Test Plan 2, page 48 of the Final Report). This detailed examination goes into much further detail than examining the class of service and order type (the only factors considered by HP for retail flow through) to include for the wholesale results. The wholesale orders are determined to be included or excluded in the measurement based on field level detail within each CLEC order. For example, SBC would exclude a CLEC order that establishes a hunt group or an order that changes a line from business to residence. These determinations can only be made after detailed information is examined from the CLEC orders, while this level of detail was never considered in the examination of the	actually designed to flow through for wholesale orders and is therefore included in the PM 13 calculation. Of these 12 remaining order types there are 3 that are identified as EASE flow-through but not included in the PM 13 calculation. • Order types that include an Effective Billing Date (EBD) do flow through for EASE Retail Orders. However it is SBC policy that the CLEC cannot determine the EBD without LSC validation. Therefore wholesale orders requesting an EBD must be processed manually. With the Plan of Record Implementation the requests are prohibited from EBD. • SBC retail processes for PIC changes primarily utilized the CARE process. A retail 'C' order to change the PIC will flow through EASE. CLECs may submit a request utilizing a 'C' activity to request a PIC change and it is designed to flow-through. These orders would be included in the PM 13 calculation accordingly. An	the calculations is counter to the Commissions decision of including all orders that would flow through EASE in the denominator. Staff finds that order types that include an Effective Billing Date (EBD) do flow through for EASE Retail Orders. However it is SBC policy that the CLEC cannot determine the EBD without LSC validation. Therefore, wholesale orders requesting an EBD must be processed manually. As part of the Plan of Record version of SBC's OSS, which arose out of the Ameritech Merger Conditions, electronic flow through of EBD requests are prohibited. Staff finds that LSC validation is important and the parties have not raised concerns over this issue; therefore Staff recommends that no action is needed on this issue at this time. Staff notes that SBC includes

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	retail comparison. It would be close to impossible to discern from the audit papers and Final Report if the flow through measurement, as implemented, is determining parity. **Birch Reply:** On page 15 of its comments, for example, SBC provides its response to the HP finding of discrepancies between system requirements and actual system operations. SBC states that "it became necessary to make additions to the document to show changes in the measure over time, with regard to both edits and file layouts covering the January 2000-October 2002 time period." This admission is ample proof that SBC did not and does not keep adequate documentation as to the implementation of the measurement (and likely other measurements). This admission also shows that SBC could have created any logic it deemed necessary or appropriate to restate, reproduce, or explain its reporting failures from the past – and created this logic during the audit. Due to the admitted lack of adequate documentation and controls, Birch suggests that the Commission should	additional order type is available in version 3.06 (this option was eliminated with version 5.0) utilizing a 'P' activity. There is not a precise EASE comparison for the 'P' activity. CLECs have been notified that if they use the 'P' activity, requests will drop for manual handling by design and 'C' activity is designed to flow through. •　　　Order types to establish a hunt group of 2 or more existing disassociated lines requires 2 completely separate order negotiations through EASE for Retail. SBC allows a one LSR process for this order type. Therefore the Retail process and Wholesale processes are not equal. SBC's responses to two of HP's data requests: RFI PM13-0517-011 and PM13-0611-026 indicated that certain order types were not designed to flow through Retail EASE or Wholesale. Orders which SBC has determined are not EASE Wholesale Flow-Through eligible are as follows; **EBD**: SBC Policy is that the	hunt group establishment orders in its **retail** flow through results because they flow through EASE even though it requires two separate orders. Whereas for **wholesale** flow through it is not included because the single LSR process is designed to not flow through with respect to hunt group orders. SBC's reference to two retail service orders vis-à-vis one wholesale LSR as a rationale for not including hunt group orders is without merit and disingenuous. SBC's OSS is designed such that a single CLEC UNE-P LSR typically generates three service orders designed to flow through, yet for SBC retail purposes, a single EASE order is sufficient and flows through. Just as SBC designed its OSS to cause multiple orders for UNE-P, SBC also chose to design its OSS to instead cause CLEC hunt group establishment

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	consider investigating the implementation and reporting of all measures. SBC's comments also seem to change answers it initially provided to the auditors for PM 13. HP found that SBC has acknowledged 13 order types that are not included in the PM 13 calculation. However, SBC has changed its story and now claims in its comments that one of the 13 order types excluded for CLEC orders does in fact flow through for SBC retail, and, thus, now should be included in the PM 13 results for CLECs. Interestingly, SBC does not include the order volume affected or restated results based on SBC's latest "finding." This SBC admission provides further proof (in addition to the comments of Birch and AT&T) that the results in the Final Report for PM 13 are based on erroneous assumptions made by SBC. It also provides more proof that HP did not attempt to test or validate any of SBC's 13 ordering scenarios excluded from the PM 13 results (because HP would have discovered this scenario as flow through eligible for SBC retail).	CLEC should not be dictating the EBD which requires validation. With POR CLECs no longer have access to this field. **Charter Number - UNE-P:** The original documentation provided to HP by SBC was communicated incorrectly. SBC did acknowledge this error in its response to the Birch questions surrounding EASE/SORD issues on 11-4-02 **PIC Change**: This 'P' activity and there is not P activity in EASE. Retail principally depends on receipt of CARE Tapes from the IXC and can do 'C' activity at the request of the end user. 'C' activity with LNA of 'C' does flow through. **Establish Hunt Group 2 or More Disassociated Lines**: SBC treats order as one negotiation and EASE requires two negotiations, therefore not the same process	requests to be a single (but non-MOG-eligible) order, even though SBC retail hunt group establishment requests require two (flow-through-eligible) orders. The point is that SBC's OSS design (*e.g.*, number of service orders/LSRs to accomplish a given action) does not necessarily dictate whether a given order type should be included in the PM13 calculation. If the number of orders involved were a determining factor for PM 13 calculation inclusion, the Commission certainly would have required that SBC change its OSS design to make a CLEC UNE-P LSR a single-order process. Moreover, flow through percentages for PM 13 are expressed in terms of service orders not LSRs. In addition, Staff notes that one of the purposes of including the orders that flow through EASE in the

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	Finally for the PM 13 portion of the audit, SBC tries to expand on the rationale for excluding from the CLEC results three order types that SBC admits flow through EASE. Besides SBC's admission that these retail orders do flow through EASE (which from a business rule perspective should end the discussion concerning the inclusion of the order types), Birch expands its initial comments on the topic for two of the three order types: 　　　1.　　PIC Change Orders 　　SBC's rationale for excluding CLEC PIC change orders despite the fact that retail PIC change orders flow through EASE is again reiterated in SBC's comments at page 17. SBC explains that CLECs, at one time, could change their end-user's PIC code using one of two ways using the Local Service Ordering Requirements ("LSOR") as defined by SBC. A CLEC could use a Change "C" activity type (which would allow other changes in addition to a PIC change) or a PIC Change "P" activity type (which only allows the PIC code to be changed). SBC's LSOR guidelines never indicated that PIC changes		denominator is to incent SBC to develop and improve the wholesale OSS, at a minimum, by making all orders that flow through EASE MOG-eligible. Consistent with Staff's discussion under accuracy of current reporting for PM 13, the restated numbers need to be modified to reflect inclusion of PIC change and Hunt Group orders in the denominator for calculating the CLEC flow through, and by excluding the rejects due to improper entry from the flow through calculations for retail EASE for all months starting from January 2000 to the current reporting period.

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	should only be processed with the "C" activity type instead of a "P", so intuitively, Birch usually used the "P" activity type to process PIC change orders. SBC's claim that "there is not precise EASE comparison for the "P" activity" is bogus on its face. The "P" activity is doing nothing more than changing an end-user's PIC code. The fact that this very simple order activity was never designed to flow through for CLEC orders is at the heart of Birch's concerns of SBC's implementation of this measurement. 2. Hunt Group Establishment This ordering scenario represents a respectful percentage of Birch's change orders placed for Birch's target customers – small and medium sized businesses. SBC's rationale for excluding these CLEC orders provides nothing more of substance than SBC provided to the auditors. The fact remains that SBC would include these orders in its retail flow through results (because they flow through EASE). SBC's reference to two retail service orders compared to one CLEC LSR is without merit. SBC's wholesale		

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	ordering process to establish a hunt group involves many service orders derived from an LSR just as the retail order requires. PM 13 is measured at the service order level, so any reference to the LSR is misplaced.		
PM 13: Accuracy of SBC Restatement of PM 13 **Objective No. 2 – To determine whether SBC has properly implemented all required changes to the collection, analysis, and reporting of PM 13 data**. **HP Findings Summary** 1. SBC has properly implemented all required changes in the collection and analysis of data, and reporting of PM 13 for the order types it determined should be included. Although HP calculations did not	AT&T: For the same reasons discussed under Objective 1, HP's conclusions are again circular – SBC properly implemented all required changes "for the order types it determined should be included." Because SBC's determination of the order types to include omitted order types that flow through EASE, e.g., PIC change, SBC's PM 13 reporting cannot have met this audit objective either.	SBC concurs with HP's finding and has no additional comments related to this item.	Staff concurs with AT&T's comments and recommends not adopting HP's findings for this objective.

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exactly confirm SBC's reported PM 13 results in all cases, the variances were small. In all cases but one, HP attributes the differences to its use of DSS detail data files to test the summary data SBC uses in the PM 13 calculations. 2. HP found that differences between its calculations of November 2001 PM 13 data and SBC's reported calculations were the result of a problem with the include/exclude indicator in the detail files HP used to recalculate the measure. (F.R. p. 53)			
PM 13: Accuracy of SBC Restatement of PM 13 **Objective No. 3 – To determine whether**	AT&T: HP's gratuitous comments regarding remedy plan methodology fall outside the scope of the audit and should be removed from the report. F.R. 61, numbered paragraph 3 and final paragraph. The audit plan does not call for HP to evaluate the merits	HP requested SBC to provide a calculation under the performance remedy plan based on Order No. 33. Because SBC's motion for clarification of Order No. 33 was granted, however, SBC has not	The Final Report states that, based on the order types that SBC determined should be included, SBC correctly restated PM 13 and properly calculated Tier 1 and Tier 2 damages based on the restated

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SBC has properly calculated Tier 1 and Tier 2 payments, based on the restated PM data. **HP Findings Summary** 1. Based on the order types SBC determined should be included, SBC has properly calculated Tier 1 and Tier 2 payments based on the restated PM 13 data in compliance with the Order and restatement requirements. 2. HP has determined that SBC has correctly recalculated PM 13 data in compliance with Order 33, including a Tier 1 low to high recalculation, and a shift from capped to uncapped reporting for the month of March 2002. Results from the recalculation reflect an	of any aspect of SBC's remedy plan methodology, but rather to check SBC's application of that methodology to the restated PM 13 data. HP's review of PM 13 remedy calculations has included less than a sliver of a sliver of the operation of the remedy plan as a whole. HP's comments do not take any account of the features of the plan, such as the K value, that forgive many of SBC's reported violations of parity and benchmark standards, to the great concern of CLECs who have participated in regular review of the plan. HP's statement that the methodology (necessarily referring to the modified z-test) is designed for sampling but applied to the total population of orders is a concern that has been shared by no one who has participated in proceedings related to the remedy plan, including SBC, who never has suggested the use of "sampling" and who has not objected to the use of the modified z-test.	implemented the changes to the performance remedy plan required in Order No. 33. To be clear, SBC did comply with HP's request and performed calculations based on Order No. 33, but those calculations were not actually implemented. With those caveats, SBC concurs with HP's conclusions concerning calculation and reporting of Tier 1 and Tier 2 payments.	PM 13 data. Staff finds that SBC's calculations provided to HP need to be made available to the Commission. HP's suggestion of flaws in the Performance Remedy Plan is outside the audit scope. Accordingly, HP's Finding No. 3 on F.R. 61 and the last paragraph on that page should not be adopted.

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increase in Tier 1 payment penalties for March 2002 went from $128,375 up to $6.28 million. 3. In computing PM 13 data, HP observed that the PM 13 business rules formula applies a methodology designed for sampling to the entire population of orders. This methodology requires SBC to provide better performance to CLECs than to its own retail customers to avoid penalties. (F.R. p. 61)	This Commission's periodic performance measurement review provides a forum for remedy plan concerns. HP's comments on remedy plan methodology are out of place here and should be disregarded. Following the Commission's consideration of the Final Report, any changes to that report, any further restatement of SBC data required as a result (such as including PIC change data), and validation of any further restatement, the Commission will be called upon to address the remedies that SBC will be required to pay on the basis of the final restatement. AT&T will address those issues at that time, including the evidence that SBC knew full well (or certainly should have known), prior to the 2001 performance measurement review which prompted this audit, that the PM 13 business rules required it to include UNE-P order types for which the equivalent retail order flowed through EASE. See AT&T Communications of Texas, L.P.'s Motion to Strike, Or In The Alternative, Response To SBC's Motion For Rehearing and		

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	Clarification at 5-10 (July 9, 2001) (presenting evidence that failure to follow business rule was deliberate or grossly negligent). In the face of that knowledge, SBC nonetheless implemented PM 13 as if that parity requirement in the business rules applied only to CLEC orders, excluding large numbers of UNE-P flow-through failures from the data. Suffice it to say here that, based on the continued flaws in SBC's reporting of PM 13 data made evident in the Final Report, the continued refusal to include all order types that flow through EASE in the PM 13 data reported for CLECs, and the difficulty reported by HP in extracting relevant information from SBC with respect to its PM 13 reporting, AT&T sees no basis for retreat from the initial terms of Order No. 33, which required SBC to make remedy payments based on the restated data, using Tier 1 "high" multipliers and without reference to a cap.		
5. LMOS – Accuracy		SBC concurs with these findings. SBC points out, however, a factual inaccuracy in	Staff recommends adopting HP's finding for this objective with SBC's proposed

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of Current LMOS Update Processes **Objective No. 1 – To verify that CLEC UNE – P orders received on or after May 12, 2001, result in correct updating of the LMOS database.** **HP Findings Summary** 1. For CLEC UNE-P orders received on or after May 12, 2001, HP's sample data show that 87.8 percent of 'C' orders correctly update the LMOS Host database within two days of the service order completion. As a result, at any given time, there are inconsistencies in the LMOS database. The main source of these inaccuracies is the lag between the posting of 'D' and 'C' orders to LMOS.		Section 5.3, Findings Detail, which states: "When the 'D' order posts to LMOS, it removes class of service and MCN information, and changes the status of the account to disconnected." SBC suggests this statement be amended as follows: "When the 'D' order posts to LMOS, it changes the status of the account to "disconnected."	amendment.

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2. Although SBC's CABS/LMOS comparison works to ensure consistency between the CABS and LMOS databases, depending on the timing of an error, an incomplete or incorrect record may not be corrected for more than two weeks due to the timing of the Bashes. (F.R. p.72)			
LMOS – Accuracy of Current LMOS Update Processes **Objective No. 2 – To verify that 'C' orders generated by SBC systems in response to a CLEC UNE – P LSR post to LMOS after the 'D' orders generated in response to the same CLEC LSR.** **HP Findings Summary**	**AT&T:** HP states that it "did not replicate SBC's manual classification process," F.R. 89, referring to the process by which SBC is said to include manual trouble reports (submitted by CLECs when they cannot enter reports electronically) in its performance data. However, this objective called upon HP to verify whether "all manual UNE-P trouble reports submitted by a CLEC to the LOC, following receipt of [certain relevant error notifications in response to attempts to submit an electronic trouble report], are accurately captured in the LMOS-related PMs."	SBC concurs that the system changes have rectified the 'C' and 'D' order sequence problem and that instances of 'D' orders erroring out are rare. (In fact, the occurrence rate is insignificant: one instance in 89,000 orders processed). SBC additionally maintains that a 'D' order that errors out is not representative of the 'D' and 'C' order sequencing issue.	This objective is intended to comply with Audit Plan § II(B)(1). Although Staff concurs that the system changes have rectified the 'C' and 'D' order related problems in updating the LMOS related database, Staff shares AT&T's concerns that the capturing of manual trouble reports is not accounted for. Staff recommends that HP be directed to complete this required portion of the audit.

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SBC's implementation of system changes in March 2001 largely rectified 'C' and 'D' order-sequence problems. HP found that the order sequencing problems can still occur if the 'D' order errors out and the 'C' order does not, though HP believes this occurs in less than one percent of orders. (F.R. p. 73)	AT&T is at a loss to understand how HP could test this audit objective without replicating, at least on a sample basis, SBC's manual classification process. Yet HP is candid that it did not do so. Accordingly, this audit objective has not been met. Although the manual process may have applied only to 0.28% of the trouble reports submitted in the month (May 2002) examined by HP, the number of affected trouble reports will vary from month to month. With HP finding that electronic trouble reports submitted 3 days after an order should have a success rate of only 87.8%, capturing a significant volume of trouble reports in the PM data may depend at times on this manual process, and HP should have tested it, as the audit plan called for.		
LMOS – Accuracy of Current LMOS Update Processes **Objective No. 3 – To verify that CLEC UNE – P trouble reports submitted**		SBC concurs that 99.64% of electronically entered UNE-P trouble reports in May 2002 received a no error message. Of the electronically entered trouble reports, less than one-half of one percent (0.36%) received this notification, in which case,	Staff recommends adopting HP's findings.

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electronically do not result in a notification that "this TN has been disconnected or ported out. No information available" or equivalent notification, if the trouble report is submitted after the time allowed for posting of the 'C' order to LMOS. **HP Findings Summary** CLEC UNE-P trouble reports submitted electronically still get the notification that "this TN has been disconnected or ported out. No information available" under specific circumstances. In May 2002, SBC received 24,958 electronic UNE-P trouble reports from CLECs, and SBC systems returned this error message for UNE-P trouble reports on 92		manual tickets were submitted.	

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different telephone numbers. Most of these notifications were provided in response to electronic tickets received following service order activity and prior to the posting of the 'C' order to LMOS. There is no standard time requirement by which 'C' orders post to LMOS. (F.R. p. 73)			
6. LMOS – Accuracy of the Embedded LMOS Database **Objective – To determine whether SBC's LMOS database accurately identifies the CLEC service provider and class of service associated with TNs that were converted to CLEC UNE –P service prior**	**Birch:** The LMOS portion of the HP audit resolves many of the Birch concerns surrounding the operational issues related to the updating process of UNE-P Line Records in LMOS. The audit also proves that continued accuracy of the LMOS database is reliant upon SBC wholesale billing system accuracy (CABS) and processes to update any discrepancy between CABS and LMOS. The "bash" process that compares the wholesale billing records to the LMOS line records requires SBC personnel to run and monitor the comparison twice a month. Finally, the LMOS audit	SBC concurs with HP's findings that over 99% of the records in the embedded database for UNE-P service are consistent with CABS. SBC maintains that CABS is the appropriate database for the bash comparison because CABS reflects the services for which the CLECs are billed.	Staff recommends adopting HP's findings for this objective.

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to May 12, 2001. **HP Findings Summary** HP's analysis indicates that, at any given point in time, more than 99% of the records in the embedded LMOS database for UNE-P service are consistent with CABS records for service provider and class of service. "Bashing" the LMOS and CABS databases was the main technique SBC used to resolve the LMOS inaccuracy issue, but the Bash process assumes that CABS itself is accurate. (F.R. p. 81)	confirms that the affected percentage of CLEC access lines (25% for Birch) is much higher than the 10% estimated by SBC in 2001		
7. LMOS – Current PM reporting for LMOS Related Performance Measures **Objective No. 1 – To**		SBC concurs with HP's conclusion concerning the difference between HP-calculated amounts using raw data alone and SBC's published performance measure data. The differences between the two, though small, is due to the fact	Staff recommends adopting HP's findings for this objective.

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determine whether all CLEC UNE – P trouble reports submitted electronically are accurately captured in the LMOS-related PMs, if the trouble report does not result in electronic notification to the CLEC that "this TN has been disconnected or ported out. No information available" or equivalent notification. **HP Findings Summary** SBC has processes in place to capture CLEC UNE-P trouble reports, including those submitted electronically that do not result in the CLEC receiving the "disconnected or ported out" notification. Part of SBC's process includes the manual classification		that SBC conducts a manual review of "unclassified" trouble reports at the Local Operations Center ("LOC") to ensure the unclassified reports are properly assigned to the appropriate owner and class of service for performance measure reporting purposes. The SBC performance measure organization overlays the results of this manual review onto the raw data to produce its monthly performance measure results, thereby assuring accurate reporting. The manual LOC review was implemented by SBC in mid-2001 when it became aware of the unclassified trouble reports issue.	

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of unclassified trouble reports, which represented 0.28 percent of the trouble reports in the study period. These manually classified trouble reports caused variances between the May 2002 PMs HP calculated from SBC raw data and the SBC published PM results. (F.R. p. 87)			
LMOS – Current PM on Reporting LMOS Related Performance Measures **Objective No. 2 – To determine whether all manual UNE – P trouble reports submitted by a CLEC to the LOC, following receipt of a notification (in response to an effort to submit an electronic trouble report) that "this TN has been disconnected or ported out. No**		SBC concurs that it properly includes all trouble reports (whether submitted manually or electronically) in its performance measure reporting. Furthermore, as noted above, SBC concurs with HP's conclusion concerning the difference between HP-calculated amounts using raw data alone and SBC's published performance measure data. The differences between the two, though small, is due to the fact that SBC conducts a manual review of "unclassified" trouble reports at the LOC to ensure the unclassified reports are properly	Staff recommends adoption of HP's findings for this objective.

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information available" or equivalent notification, are accurately captured in the LMOS-related PMs. **HP Findings Summary** HP found that SBC includes in the LMOS PMs manual trouble reports that CLECs submit to the LOC after unsuccessful attempts to enter the reports electronically. HP's calculation of the LMOS PMs from SBC raw data resulted in differences of less than one percent from the PM values SBC reported for May 2002. HP attributes these differences to SBC's manual classification of "unclassifed" trouble reports. HP did not replicate SBC's manual classification process.		assigned to the appropriate owner and class of service for performance measure reporting purposes. The SBC performance measure organization overlays the results of this manual review onto the raw data to produce its monthly performance measure results, thereby assuring accurate reporting. The manual LOC review was implemented by SBC in mid-2001 when it became aware of the unclassified trouble reports issue.	

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(F.R. 89.)			
LMOS – Current PM reporting on LMOS Related Performance Measures. **Objective No. 3 – To determine whether all electronic UNE – P trouble reports submitted on SBC's telephone number formatted service associated with recent service order activity in pending or completion status are accurately reflected in the LMOS-related performance measures.** **HP Findings Summary** Electronic UNE-P trouble reports submitted on SBC's telephone number formatted service are correctly reflected in the		SBC concurs that it properly includes all trouble reports (whether submitted manually or electronically) in its performance measure reporting. Furthermore, as noted above, SBC concurs with HP's conclusion concerning the difference between HP-calculated amounts using raw data alone and SBC's published PM data. The differences between the two, though small, is due to the fact that SBC conducts a manual review of "unclassified" trouble reports at the LOC to ensure the unclassified reports are properly assigned to the appropriate owner and class of service for performance measure reporting purposes. The SBC performance measure organization overlays the results of this manual review onto the raw data to produce its monthly performance measure results, thereby assuring accurate	Staff recommends adoption of HP's findings for this objective

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LMOS-related PMs. (F.R. 89)		reporting. The manual LOC review was implemented by SBC in mid-2001 when it became aware of the unclassified trouble reports issue.	
LMOS – Current PM reporting on LMOS Related Performance Measures. **Objective No. 4 – To determine whether SBC is accurately implementing PM 35.1 (trouble reports submitted for UNE – P orders on date of completion), notwithstanding that the lag between posting of 'D' and 'C' orders in LMOS means that the LMOS record may not be updated during the relevant time for measuring performance under that measure.** **HP Findings Summary** HP found that PM 35.1,	HP's findings summary and findings detail for this objective are too cursory and conclusory. PM 35.1 is intended to capture trouble reports associated with UNE-P conversion orders which are submitted on the date of completion. This measurement was created in an effort to capture service interruptions or significant service issues that occur at the time of UNE-P conversion. The frequency of such interruptions has been a matter of substantial debate, and this measurement played potentially an important role in resolving that debate. Because of the lag between the posting of D and C orders in LMOS, it will be common that the C order will not have posted in LMOS on the day of completion. Accordingly, AT&T has understood that the capturing of completion-day trouble reports in PM 35.1 must necessarily be a largely manual process. HP acknowledges discrepancies between its PM 35.1	SBC agrees that it has implemented PM 35.1 in accordance with the business rule.	Staff concurs with AT&T that without verifying and accounting for manually reported trouble reports, no conclusion can be made for PM 35.1. Staff recommends that HP be directed to complete the requirement for this objective.

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as implemented by SBC, accurately captures trouble reports submitted for UNE -P orders on the date of completion, notwithstanding the lag between the postings of 'D' and 'C' orders. (F.R. p. 93)	calculations and SBC's published results. F.R. 93. SBC's explanation for the discrepancies was its manual effort to classify unclassified trouble reports. Yet, so far as the report reveals, HP did not validate or review SBC's application of its manual classification process to determine how accurately or completely it captured trouble reports that could not be entered electronically. Because PM 35.1 data may depend largely on this manual classification process, HP's conclusion that PM 35.1 accurately captures trouble reports submitted for UNE-P orders on the date of completion is unjustified, in the absence of any documented examination of SBC's manual classification process. CLECs remain in the dark as to how, and how well, SBC is implementing this important measurement.		
LMOS – Current PM reporting on LMOS Related Performance Measures. **Objective No. 5 – To determine whether**		SBC agrees that it has provided adequate documentation to the CLECs and adequate training to its LOC personnel to assist CLECs with their submission of trouble reports.	Staff recommends adoption of HP's findings for this objective

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SBC has provided appropriate notification and documentation to CLECs regarding alternative manual and electronic options for reporting trouble following receipt of a notification that "this TN has been disconnected or ported out. No information available" or equivalent notification, and SBC LOC personnel have been properly trained and instructed to accept manual trouble reports from CLECs. **HP Findings Summary** HP found the online documentation SBC provides to CLECs outlining the procedures for submitting trouble reports manually. Further, SBC has			

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appropriate processes, procedures, and training in place to enable LOC personnel to properly assist CLECs in the submission of manual trouble reports. (F.R. p. 94)			
LMOS – Current PM reporting on LMOS Related Performance Measures. **Objective No. 6 – To determine whether when a valid electronic LSR is not processed by SBC's systems through the updating of the LMOS database, without manual intervention, that LSR is reflected as a flow-through miss under PM 13.1.** **HP Findings Summary** As implemented by SBC, the PM13.1 calculation does not count an order as a	**AT&T:** HP documented, as SBC candidly has acknowledged, that SBC does not count an order as a flow-through miss under PM 13.1, the measurement of "overall" flow-through, if the order fails to post to LMOS without manual intervention. F.R. 94. This practice is contrary to the plain meaning of the PM 13.1 business rule, which requires SBC to count (numerator) the "number of LSRs that are completely processed, through posting and through all relevant systems and databases, without manual intervention . . . ." This requirement has been a part of the business rules since at least version 2.0. There is no basis for excluding LMOS from the "relevant systems and databases" referred to in the business rule. SBC should be directed, on the basis of HP's finding, to revise its implementation of PM	As SBC has stated numerous times, PM 13.1 does not include processing through its maintenance systems, including LMOS. This is not required under the PM 13.1 business rule, nor was it ever intended by the parties to be included in this performance measure. Flow through for PM 13.1 reporting purposes has been defined as progressing through ordering, provisioning, and billing systems without manual intervention, not maintenance systems.	Staff recommends adoption of HP's findings for this objective. As to the issue of whether PM13.1 should be clarified to include updating of LMOS, Staff recommends deferring this to the next six-month review of PMs.

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flow-through miss if it fails to post to LMOS without manual intervention. (F.R. 94) SBC does not currently include LMOS posting in the calculation of PM 13.1. HP found that the successful or unsuccessful posting of an order to LMOS does not affect whether the order is counted in the numerator for the PM 13.1 calculation. (F.R. p. 94)	13.1 to count LSRs as flow-through failures if the associated service order fails to post to LMOS without manual intervention.		
LMOS – Current PM reporting on LMOS Related Performance Measures. **Objective No. 7 – To verify how LMOS was updated on a line-shared loop prior to June 1, 2001, for new connect orders and conversion orders.**		SBC believes these findings in the Executive Summary, section XV, are inaccurately stated. However, SBC concurs with the findings summary in Section 7.3 of the Final Report: "HP concluded that, for Line Sharing loops, only 'C' orders post to LMOS. The update process did not utilize 'D' orders prior to June 1, 2001, and does not use 'D' orders currently."	Staff recommends adoption of HP's findings for this objective.

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HP Findings Summary HP concluded that, for Line Sharing loops, only 'C' orders post to LMOS. The update process did not utilize 'D' orders prior to June 1, 2001, and does not use 'D' orders currently. (F.R. p. 94) From the Executive Summary, Section XV: For line shared loop orders, HP found that only the 'C' orders post to LMOS. The 'D' orders do not currently post to LMOS, nor did they post to LMOS prior to June 1, 2001. Therefore, HP found that line shared loop orders would not be subject to the order sequencing issues that could cause LMOS records to be incomplete or incorrect.			

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8. LMOS – Past LMOS-related Errors **Objective – To determine whether SBC has restated previously reported data for LMOS-related performance measures in a manner that fairly adjusts that data for the error that resulted from SBC's failure to accurately update LMOS records to reflect CLEC service provider status.** **HP Findings** During the period before April 2001, HP found that SBC experienced problems correctly classifying the participating CLEC's trouble reports. HP found that, for all market reporting areas in which the participating CLEC served customers during this period, SBC	**AT&T:** HP confirms that, prior to April 2001, SBC misclassified a substantial proportion of CLEC UNE-P trouble reports. These reports were misclassified as resale reports or as reports belonging to another carrier, primarily SBC itself. F.R. 99-100. For example, in Texas SBC had misclassified 28.17% of the participating CLEC's UNE-P trouble reports, and had classified 23.4% of that CLEC's reports as SBC retail trouble reports. F.R. 100, Figure 8.1. In Kansas the total misclassified reports represented 55.11% of this CLEC's total trouble reports; 31.75% of the troubles submitted by this CLEC in Kansas wound up in SBC's performance data as SBC retail trouble reports. F.R. 100, Figure 8.2. These LMOS-driven errors had two effects on SBC performance data – CLEC UNE-P trouble report rates were understated, while SBC retail trouble report rates were overstated. Given the systemic nature of the LMOS update errors that affected SBC at least until the changes implemented in May 2001, there is no reason to assume that the	SBC does not necessarily disagree with HP's results for misclassified trouble reports in Figures 8.1 through 8.4, but nevertheless reiterates that these results are based upon a very limited sample of only one CLEC and should not be construed as indicative of the entire universe of CLEC trouble reports. Assuming the ranges quoted by HP (from 23.97 percent of the participating CLECs trouble reports in Central/West Texas to 55.11 percent of its troubles in Kansas) are reasonable, the only real impact upon CLECs is the effect on final performance measure results. Although SBC does not agree that it is fair to extrapolate the "reporting variance" from Figures 8.5 and 8.6, which is calculated for one participating CLEC, to the entire group of CLECs, it is interesting to note that the estimated impact on aggregate PM 35 results under Scenario 2 are not significant.	Staff recommends adopting HP's findings for this objective. In response to SBC's concerns, Staff notes that, to the extent SBC agrees to have HP audit two additional months of data to determine the extent of variance for the restated data, Staff would recommend applying the variance resulting from the average of the three months for the affected PMs.

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mistakenly classified some of the participating CLEC's UNE-P trouble reports as resale matters associated with the participating CLEC; as resale and UNE -P matters associated with other CLECs, and as matters associated with SBC. Overall, the extent of SBC's misclassification ranged from 23.97 percent of the participating CLEC trouble reports in Central/West Texas to 55.11 percent of its trouble reports in Kansas. During its recalculation of the participating CLEC's LMOS-related performance measures, HP found that SBC's misclassification of trouble reports caused varying degrees of reporting variance in the participating CLEC's	misclassification rates described above were limited to the individual CLEC whose data was used in this portion of the audit. Rather, there is every reason to expect that UNE-P trouble reports were similarly affected for all CLECs. Accordingly, HP's "Scenario 2" provides the relevant recalculation of performance measurement results, based on the assumption that the all CLECs were equally affected by the misclassifications. The impact of the misclassification was material. This can be seen in the restated PM 35 data for CLEC aggregate results. F.R. 104. For Texas, restatement of the aggregate CLEC data on the assumption that all CLECs were equally affected by the misclassifications resulted in an increase in the installation trouble report rate for UNE-P orders (no fieldwork) from 1.12% to 1.68%. F.R. 104, Figure 8.8. What is not shown in the HP report is the SBC retail I-report rate, which for Texas in February 2001 was a reported 1.64%. Correcting the misclassification of CLEC trouble	For Fieldwork: In Texas, the originally published data is 3.16%, the scenario-2 result is 3.47%with a difference of 0.31%; For No Fieldwork it is 0.12%, 1.68%, and 0.54% respectively. It should be noted here that SBC has not restated any maintenance data prior to April 2001. As SBC has repeatedly stated, it has no means to restate the data outside a data reconciliation with the CLEC. No CLEC has yet to avail itself of this option despite SBC's offer to do so. One of the purposes of the audit was to determine if there was a means by which to perform such a restatement outside the data reconciliation process. It is obvious from the Final Report that this cannot be done. Only one CLEC out of the several hundred in operation in Texas, Missouri, Arkansas, Oklahoma and Kansas chose to be an active participant in this portion of the audit. The lack of other CLEC participation speaks	

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reported performance measures. Because every trouble report is not included in the calculation of each LMOS performance measure, there was not a one-to-one increase in the participating CLEC's results when HP calculated the measures from the corrected data. Further, HP found that, because some measures are calculated using trouble reports in the numerator only while others count troubles in the numerator and denominator, the inclusion of previously misclassified trouble reports did not always cause an increase in the participating CLEC's performance measure results.	reports due to SBC's system errors in updating LMOS will change CLECs' rate from well below SBC's retail rate to something slightly in excess of SBC's retail rate.

Also omitted from HP's analysis is any consideration of the fact that correcting the misclassification also should reduce the incidence of SBC retail trouble reports, which had been inflated by misclassified CLEC reports. When that fact also is taken into account, the restated Texas data for February 2001 may throw SBC's compliance with the parity standard into question.

The difference can be seen more starkly in Missouri. There HP shows a recalculated I-report rate of 2.18%, assuming all CLECs were affected equally by the LMOS error-driven misclassifications, an increase from the originally reported rate of 1.59%. F.R. 104, Figure 8.8. The 1.59% rate would have compared favorably to SBC retail I-report rates of 1.6 and 1.73% that month in Kansas City and St. Louis, respectively, Missouri's two performance data reporting areas. See | volumes. This is clearly not an important enough issue for the CLECs to spend their time and resources upon. The results for the single participating CLEC plainly indicate that the other CLECs' non-responsiveness was warranted.
As SBC has consistently maintained, there is no fair and equitable way to use two-year-old data and then perform a blanket restatement based on data of only one CLEC. It is axiomatic that a sample of one is not sufficient universe upon which to draw any valid conclusions. Nothing in the Final Report justifies or explains how such a limited analysis, based upon one CLEC's data, can be applied to other CLECs or CLECs in the aggregate. | |

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	SBC's Missouri DOJ Reports for February 2001, PM 35-12. By contrast, the corrected I-report rate of 2.18% may well violate the parity standard, and more so after adjustment of SBC's retail rate to remove any misclassified CLEC trouble reports. What the HP report confirms is that, over an extended time in which SBC's performance data was playing a critical role in contested 271 proceedings, the systemic failure to update LMOS records timely and accurately caused a significant understatement of CLEC UNE-P trouble reports and some overstatement of SBC retail trouble reports. This misclassification may well have masked, and it surely understated, SBC's failure to meet parity requirements for LMOS-related PMs, especially measurements of trouble report rate (installation report rate, trouble report rate, and repeat report rate). Further, the principal fix for the order sequencing problem to which SBC has attributed most of the LMOS update errors was a system change to process		

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	D orders (disconnect) directly from SORD distribution, rather than waiting on the D orders to post to CRIS (the prior procedure had allowed C (change) orders associated with the same UNE-P transaction sometimes to reach LMOS before the D order, which would result in a failure to update the LMOS record to reflect the CLEC as the service provider for that circuit). HP has documented that SBC implemented this change in March 2001. F.R. 63; see SBC Response to Information Request LMOS-0607-035-1. However, in its January 2000 application to the FCC for 271 authority for Texas, more than a year earlier, SBC had represented under oath that it already had made this same system change back in June 1999. SBC's inconsistent representations call into question its candor regarding LMOS system problems, at a time when those problems might have impacted its quest for long-distance market entry. Accordingly, the LMOS-related errors in SBC's performance data prior to		

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	May 2001 were important, and their importance should not be obscured by the passage of time required to complete this audit. Given the scope of the misclassification identified by HP, and the context summarized above, restatement of LMOS-related PM data for the period November 1999 through May 2001, the maximum period contemplated in the Audit Plan (p. 14), should be required, at least for all measurements of installation report rate, trouble report rate, and repeat report rate, and applicable remedies should be calculated and paid on the basis of the restated data. Further proceedings may be appropriate to consider whether some additional months of actual data should be examined or whether the degree of error identified in the restatement of February 2001 data by HP may be applied as representative across the entire period.		